



**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
7800 Wall Street
Valley View, Ohio 44125

To the Board of Directors:

We have audited the accompanying financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 2001 and June 30, 2000. These financial statements are the responsibility of LNOCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, LNOCA prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, as of June 30, 2001 and June 30, 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2001 on our consideration of LNOCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 7, 2001

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**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
 CUYAHOGA COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Operating Cash Receipts:		
Service Fees	\$1,191,609	\$1,617,967
Total Operating Cash Receipts	<u>1,191,609</u>	<u>1,617,967</u>
Operating Cash Disbursements:		
Salaries	873,280	737,234
Fringe Benefits	212,938	182,338
Purchase Resources	1,026,085	831,144
Supplies and Materials	268,754	186,480
Capital Outlay	172,220	779,758
Other	<u>0</u>	<u>28,308</u>
Total Operating Cash Disbursements	<u>2,553,277</u>	<u>2,745,262</u>
Operating Loss	<u>(1,361,668)</u>	<u>(1,127,295)</u>
Non-Operating Cash Receipts:		
Earnings on Investments	105,503	80,214
LSTA Grant	149,201	593,196
State Sources Receipts	<u>1,080,921</u>	<u>1,015,326</u>
Total Non-Operating Cash Receipts	<u>1,335,625</u>	<u>1,688,736</u>
Excess of Receipts Over/(Under) Disbursements	(26,043)	561,441
Fund Cash Balances, July 1	<u>1,758,084</u>	<u>1,196,643</u>
Fund Cash Balances, June 30	<u><u>\$1,732,041</u></u>	<u><u>\$1,758,084</u></u>

The notes to the financial statements are an integral part of this statement.

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**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, the Lakeshore Northeast Ohio Computer Association (LNOCA) is a cooperative computer consortium open to any public school district within the geographic area determined by the State Department of Education. The geographic area includes Cuyahoga County. The mission of LNOCA is to provide quality, cost-effective services that enable member school districts, individually and interactively, to manage data and to utilize technology effectively for educational and administrative purposes. The Treasurer of the Cuyahoga County Educational Service Center (ESC) is the Fiscal Agent for LNOCA.

LNOCA presently has sixteen member school districts, and the ESC. LNOCA's Board consists of the Superintendent of each member school district. Annually, the members elect a Chairman, Vice Chairman, and Recording Secretary.

LNOCA's management believes these financial statements present all activities for which LNOCA is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Section 3313.92, Ohio Revised Code, requires the ESC to act as the fiscal agent of LNOCA. All collections are remitted to either the Treasurer or to a local depository for deposit. All disbursements are made by check prepared by the Treasurer, and drawn on deposits held in the name of the ESC. The Treasurer pools all funds for investment purposes. Pooled cash and investments held by the fiscal agent for LNOCA as of June 30, 2001 and 2000 totaled \$1,732,041 and \$1,758,084, respectively.

D. Fund Accounting

LNOCA uses fund accounting to segregate cash and investments that are restricted as to use. LNOCA classifies its fund as an Enterprise Fund.

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

**LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by LNOCA.

2. RELATED PARTY TRANSACTIONS

In each of the fiscal years 2001 and 2000, LNOCA received service fee contributions from member school districts of \$1,191,609 and \$1,617,967, respectively. These contributions are reflected as Service Fees operating cash receipts in the accompanying financial statements.

3. RETIREMENT SYSTEMS

LNOCA's employees are covered by the School Employees Retirement Systems (SERS). SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of SERS contributed 9% of their gross wages. LNOCA contributed an amount equal to 14% of participants' wages. LNOCA has paid all contributions required through June 30, 2001.

4. RISK MANAGEMENT

The ESC has obtained commercial insurance, which includes coverage for LNOCA, for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

Full-time employees of LNOCA are also provided with health insurance and dental and vision coverage through a private carrier.

5. ON BEHALF GRANT

The ESC received a grant from the State Library of Ohio to upgrade computer equipment and access lines to the computer system. This grant benefitted LNOCA and its member districts. It is shown on the accompanying financial statements as LSTA grant non operating cash receipts and as capital outlay operating cash disbursements. No cash activity occurred with regards to this grant between the ESC and LNOCA. The revenues and expenses associated with this grant are recorded as on behalf payments by the ESC. The amount of revenue and expenses associated with this grant was \$149,201 in 2001 and \$593,196 in 2000.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
7800 Wall Street
Valley View, Ohio 44125

To the Board of Directors:

We have audited the financial statements of the Lakeshore Northeast Ohio Computer Association, Cuyahoga County, Ohio, (LNOCA) as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated November 7, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LNOCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LNOCA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of LNOCA in a separate letter dated November 7, 2001.

Lakeshore Northeast Ohio Computer Association
Cuyahoga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 7, 2001



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LAKESHORE NORTHEAST OHIO COMPUTER ASSOCIATION

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2001**